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SUBJECT: Maduro Launches Investigation of Forestry Agency

REF: Tegucigalpa 1581

1. (U) SUMMARY: On July 2, Honduran President Ricardo Maduro established an "intervention" into the operations of the Honduran Corporation for Forest Development, COHDEFOR. A three-person commission was named to conduct an in-depth analysis of COHDEFOR's operations, report back to Maduro within three months on the administrative and financial problems found within the institution, and recommend possible solutions. Maduro's creation of this intervention is a partial response to the charges brought by participants in the "March for Life" (reftel), which concluded in Tegucigalpa on June 30, and a tacit admission of the widely-held belief that COHDEFOR has serious resource problems which prevent it from effectively carrying out its function of administering the nation's forests and protected areas. END SUMMARY.

2. (U) On July 2, Honduran President Ricardo Maduro launched an "Intervention Commission" (Comision Interventora) for the GOH agency responsible for managing Honduras' forests, COHDEFOR. The establishment of this intervention was announced to the public on July 6. The stated objective of the Commission is to conduct an in-depth analysis of the administrative and financial problems found within COHDEFOR, and at the end of three months present a report to Maduro outlining possible solutions to those problems. In addition, each employee is to be evaluated to determine his or her eligibility for continued employment with the institution. The commission is composed of the Executive Director of the Environmental Management Program of the Bay Islands and Doctor of Forest Sciences, Jose Flores, environmental consultant Luis Eveline Hernandez, and Ministry of Natural Resources and Environment (SERNA) adviser Joaquin Agüero. In announcing the establishment of the Commission, Maduro cited "serious problems of management, administration and financial controls" within COHDEFOR, and declared that "actions taken to date have been insufficient" to deal with these problems.

3. (U) While initial reports announced that COHDEFOR would continue to operate normally throughout the investigation period, recent suspensions of managerial tasks have temporarily stalled some of the institution's activities. As of July 8, the Intervention Commission had taken away the signing capabilities of several of COHDEFOR's top managers. COHDEFOR Manager Gustavo Morales observed that, by taking away their power to sign, the Commission has effectively stopped COHDEFOR from carrying out its administrative functions. The decision also prohibits the eleven regional directors from signing documents. Without the ability to authorize, for example, the purchase of fuel for employee vehicles, Morales noted that COHDEFOR personnel's ability to conduct their daily activities would be limited.

4. (SBU) Maduro's establishment of the intervention is a partial response to the "March for Life" protests of June 24-30, though Maduro and march leader Father Andres Tamayo also agreed on the creation of a second commission, the National Environmental Commission, to be headed by Father Tamayo himself. Tamayo has called for an administrative purge of regional COHDEFOR offices, where allegations of corruption have been the strongest.

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COHDEFOR Manager Reacts Positively  
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5. (U) COHDEFOR Manager Gustavo Morales has publicly said that he does not oppose the investigation. He indicated that the intervention would determine whether or not accusations against COHDEFOR are valid. Morales stated that he and his administrative team would provide all information requested regarding COHDEFOR's history and operations. He said that the most serious problem facing COHDEFOR is a lack of resources, due to the fact that COHDEFOR receives only a portion of its financing from the GOH budget, and relies mainly upon licensing fees from logging operations. Morales expressed hope that the proposed investigation would reveal the extent of any problems so that the appropriate solutions may be identified and implemented.

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Background on COHDEFOR  
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16. (U) COHDEFOR was created in 1974 by a populist government, as a reaction to the abuses of the private sector-controlled forest industry. The GOH decreed that COHDEFOR would have control of all forest harvests, act as the only exporter of lumber, and invest to establish industries for forestry products. From 1974 to 1985, COHDEFOR functioned as a profitable corporation, but since 1985 has operated at a loss, as most of its investments in forest industries lost money, and only continued operating due to continuous GOH financing.

17. (SBU) In its initial years, COHDEFOR's exports of lumber and acquisition of equipment and materials were fertile ground for corruption. In the late 1980s, COHDEFOR ended its involvement in lumber exports and concentrated more in forest management. The Agriculture Modernization Law of 1992 decreed that private landowners could manage and use their own forest lands, and that only the private sector could be involved in the production and marketing of wood and wood products. However, COHDEFOR's poor performance in the roles of management and regulation has led to the current state of affairs.

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Comment  
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18. (SBU) While the "March for Life" occurred during this administration, the issues which it addresses - poor forest management, lack of community participation, and allegations of corruption - have been with COHDEFOR since its inception, though these problems have become more prominent during the past decade. Improvements in management have occurred under the leadership of Morales (who is the first forester to ever lead COHDEFOR), but the legacy of alleged corruption, and perceived unwillingness to allow for public participation, are still present.

19. (SBU) A proposed new forestry law is intended to address many of the institution's problems, including the issue of public participation, and the conflict of interest inherent in the fact that the organization charged with protecting the nation's forests is itself principally funded by the exploitation of those forests. This bill, however, has been controversial since its first reading, and has been temporarily placed on hold by the GOH. In any case, the intervention into COHDEFOR's operations should be a welcome step to highlight the institution's problems, and identify practical solutions. End Comment.

Palmer